



Mtubatuba Municipality
(Registration number KZN 275)

Annual Financial Statements
for the year ended 30 June 2015

Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

General Information

Legal form of entity

Municipality

Mayoral committee

Executive Committee

Cllr IF Nyawo - Mayor
Cllr A Roy - Deputy Mayor
Cllr MA Gina - Speaker

Councillors

Cllr MM Davies
Cllr DR Ntuli
Cllr VM Gumede
Cllr LG Mkhwanazi
Cllr SM Khumalo
Cllr MZ Shobede
Cllr MM Zikhali
Cllr ZW Mathonsi
Cllr CT Buthelezi
Cllr SN Sibiyi
Cllr NT Gumede
Cllr VB Ndlanzi
Cllr RBB Mkhwanazi
Cllr P Mkhwanazi
Cllr FZ Nkwanyana
Cllr MP Ndlovu
Cllr JM Ntombela
Cllr PN Xulu
Cllr SJ Khoza
Cllr VVB Madonsela
Cllr PR Jobe
Cllr SR Khumalo
Cllr DL Gumbi
Cllr LM Mkhwanazi
Cllr KI Kheswa
Cllr NE Zuma
Cllr EM Msweli
Cllr SM Gumede
Cllr RH Mfeka
Cllr VT Myeni
Cllr MQ Mkhwanazi
Cllr RM Bukhosini
Cllr SJ Shezi
Cllr MB Zulu
Cllr N Mdluli

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General Information

Grading of local authority	Grade 3
Acting Accounting Officer	NQ Mzimela
Acting Chief Finance Officer (CFO)	TS Cele
Registered office	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
Business address	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
Postal address	PO Box 52 Mtubatuba 3935
Bankers	First National Bank Mtubatuba
Auditors	Auditor General South Africa Registered Auditors
Lawyers	Ngubane & Associates

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Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IMFO	Institute of Municipal Finance Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 50, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 August 2015 and were signed on its behalf by:

Accounting Officer
Designation

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Receivables from non-exchange transactions	7	950 762	631 522
VAT receivable	8	709 403	52 553
Trade and other receivables from exchange transactions	9	19 707 116	13 277 368
Cash and cash equivalents	10	13 844 399	894 936
		35 211 680	14 856 379
Non-Current Assets			
Investment property	4	45 832 130	37 322 304
Property, plant and equipment	3	306 108 714	288 287 919
Intangible assets	5	321 839	424 302
Heritage assets	6	1 020 835	1 020 835
		353 283 518	327 055 360
Total Assets		388 495 198	341 911 739
Liabilities			
Current Liabilities			
Long-term loan - DBSA	13	697 313	676 050
Finance lease obligation	11	624 249	873 575
Payables from exchange transactions	15	14 802 782	19 261 610
Third party payable	16	1 610 565	1 419 571
Unspent conditional grants and receipts	12	3 268 940	9 780 098
Income received in advance		654 311	822 460
		21 658 160	32 833 364
Non-Current Liabilities			
Long-term loan - DBSA	13	901 514	1 235 642
Finance lease obligation	11	49 009	672 964
Employee benefit obligation	38	2 227 000	2 087 000
Provisions	14	3 671 842	3 322 934
		6 849 365	7 318 540
Total Liabilities		28 507 525	40 151 904
Net Assets		359 987 673	301 759 835
Accumulated surplus		359 987 673	301 759 835

* See Note 37 & 30

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Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	40	3 275 127	3 008 407
Rendering of services		1 581 846	1 492 908
Rental of facilities and equipment		239 247	221 325
Interest on consumer debtors		6 730 372	5 688 123
Licences and permits		2 504 233	2 790 357
Administration and management fees received		532 377	1 232 539
Fees earned		425 498	507 917
Interest received - investment	42	761 127	517 055
Total revenue from exchange transactions		16 049 827	15 458 631
Revenue from non-exchange transactions			
Taxation revenue			
Property rates		21 377 512	19 262 306
Transfer revenue			
Government grants & subsidies	17	121 057 167	102 041 742
Fines	41	1 281 579	1 531 312
Total revenue from non-exchange transactions		143 716 258	122 835 360
Total revenue	39	159 766 085	138 293 991
Expenditure			
Employee related costs	19	(41 571 149)	(39 180 983)
Remuneration of councillors	20	(7 208 730)	(10 594 229)
Depreciation, amortisation and impairment	22	(16 287 459)	(13 134 264)
Finance costs	23	(1 150 811)	(1 076 946)
Debts written off / rebates	21	(8 077 408)	(12 139 269)
Repairs and maintenance		(6 526 351)	(4 008 513)
Contracted services	25	(10 339 328)	(9 628 888)
General Expenses	18	(20 938 654)	(29 324 535)
Total expenditure		(112 099 890)	(119 087 627)
Operating surplus		47 666 195	19 206 364
Fair value adjustments		8 509 826	-
Gain or (loss) on sale of assets		(36 986)	(1 494 107)
Donations		2 088 800	-
		10 561 640	(1 494 107)
Surplus for the year		58 227 835	17 712 257

* See Note 37 & 30

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Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Balance at 01 July 2013	284 183 628	284 183 628
Changes in net assets		
Surplus for the year	17 712 256	17 712 256
Fair value realised on disposal of non-current asset	2 883 258	2 883 258
Change in accounting policy	(2 087 003)	(2 087 003)
Prior period error	(932 304)	(932 304)
Total changes	17 576 207	17 576 207
Restated* Balance at 01 July 2014	301 759 838	301 759 838
Changes in net assets		
Surplus for the year	58 227 835	58 227 835
Total changes	58 227 835	58 227 835
Balance at 30 June 2015	359 987 673	359 987 673
Note(s)		

* See Note 37 & 30

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Cash Flow Statement

	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		22 207 601	21 601 955
Grants		121 057 167	102 041 742
Interest income		761 127	517 055
		<u>144 025 895</u>	<u>124 160 752</u>
Payments			
Employee costs		(48 749 647)	(49 775 212)
Suppliers		(47 867 705)	(39 167 927)
Finance costs		(1 150 811)	(1 076 946)
		<u>(97 768 163)</u>	<u>(90 020 085)</u>
Net cash flows from operating activities	26	<u>46 257 732</u>	<u>34 140 667</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(31 915 488)	(34 553 666)
Proceeds from non-current assets held for sale	4	-	1 315 790
Purchase of other intangible assets	5	(38 486)	(556 775)
Net cash flows from investing activities		<u>(31 953 974)</u>	<u>(33 794 651)</u>
Cash flows from financing activities			
Repayment of long-term loan - dbsa		(312 864)	(538 306)
Movement in income received in advance		(168 149)	196 123
Finance lease payments		(873 281)	(742 050)
Net cash flows from financing activities		<u>(1 354 294)</u>	<u>(1 084 233)</u>
Net increase/(decrease) in cash and cash equivalents		12 949 464	(738 217)
Cash and cash equivalents at the beginning of the year		894 936	1 633 153
Cash and cash equivalents at the end of the year	10	<u>13 844 400</u>	<u>894 936</u>

* See Note 37 & 30

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	4 034 000	(624 000)	3 410 000	3 275 127	(134 873)	
Rendering of services	1 658 000	(30 000)	1 628 000	1 581 846	(46 154)	
Rental of facilities and equipment	817 000	(505 000)	312 000	239 247	(72 753)	
Interest on consumer debtors	4 311 000	841 000	5 152 000	6 730 372	1 578 372	
Licences and permits	3 240 000	(866 000)	2 374 000	2 504 233	130 233	
Administration and management fees received	-	-	-	532 377	532 377	
Fees earned	-	-	-	425 498	425 498	
Interest received - investment	424 000	209 000	633 000	761 127	128 127	
Total revenue from exchange transactions	14 484 000	(975 000)	13 509 000	16 049 827	2 540 827	
Revenue from non-exchange transactions						
Property rates	23 585 000	(1 851 000)	21 734 000	21 377 512	(356 488)	
Other	1 745 000	(1 551 000)	194 000	-	(194 000)	
Government grants & subsidies	120 596 000	737 000	121 333 000	121 057 167	(275 833)	
Fines	1 269 000	(59 000)	1 210 000	1 281 579	71 579	
Gain on disposal of property, plant and equipment	4 425 000	(4 425 000)	-	-	-	
Total revenue from non-exchange transactions	151 620 000	(7 149 000)	144 471 000	143 716 258	(754 742)	
Total revenue	166 104 000	(8 124 000)	157 980 000	159 766 085	1 786 085	
Expenditure						
Employee related costs	(43 017 000)	(2 842 000)	(45 859 000)	(41 571 149)	4 287 851	
Remuneration of councillors	(10 502 000)	-	(10 502 000)	(7 208 730)	3 293 270	
Depreciation and amortisation	(7 791 000)	-	(7 791 000)	(16 287 459)	(8 496 459)	
Finance costs	(541 000)	-	(541 000)	(1 150 811)	(609 811)	
Debt written off/rebates	(5 159 000)	-	(5 159 000)	(8 077 408)	(2 918 408)	
Repairs and maintenance	(10 348 000)	1 570 000	(8 778 000)	(6 526 351)	2 251 649	
Contracted Services	(11 632 000)	1 585 000	(10 047 000)	(10 339 328)	(292 328)	
General Expenses	(18 740 000)	(4 214 000)	(22 954 000)	(20 938 654)	2 015 346	
Total expenditure	(107 730 000)	(3 901 000)	(111 631 000)	(112 099 890)	(468 890)	
Operating surplus	58 374 000	(12 025 000)	46 349 000	47 666 195	1 317 195	
Fair value adjustments	-	-	-	8 509 826	8 509 826	
Loss on non-current assets held for sale or disposal groups	-	-	-	(36 986)	(36 986)	
Donations	-	-	-	2 088 800	2 088 800	
	-	-	-	10 561 640	10 561 640	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Surplus before taxation	58 374 000	(12 025 000)	46 349 000	58 227 835	11 878 835	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	58 374 000	(12 025 000)	46 349 000	58 227 835	11 878 835	

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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with those applied in the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables, held at amortised cost for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held at amortised cost is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible and intangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 38.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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Accounting Policies

1.4 Investment property (continued)

Subsequent measurement

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus for the period in which it arises.

The carrying amount of an item of investment property is derecognised on disposal or when no future economic benefit or service potential are expected from its use or disposal. Transfers to, or from, investment property is made when, and only when, there is a change in use.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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Accounting Policies

1.5 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	30
Plant and machinery	
• Specialised plant and equipment	10 - 15
• Other items of plant and equipment	2 - 5
Furniture and fixtures	7 - 10
Motor vehicles	5 - 10
Office equipment	7 - 10
Infrastructure	
• Roads and paving	15
• Pedestrian malls	30
• Electricity	20
• Water	15
• Housing	30
• Landfill sites	15
• Sewerage	15 - 20
Community	
• Recreational facilities	20 - 30
• Security measures	5
Other property, plant and equipment	5 - 10
Bins and containers	5
Specialised vehicles	5 - 20
•	

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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Accounting Policies

1.6 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

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1.8 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost.
- Financial liabilities measured at amortised cost.
- Financial instruments at fair value.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value plus in case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to acquisition or issue.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Dividend or similar distributions income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Financial assets and liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as financial assets at amortised cost.

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1.8 Financial instruments (continued)

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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1.10 Impairment of cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

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1.12 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

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Accounting Policies

1.12 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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Accounting Policies

1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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1.13 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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Accounting Policies

1.14 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest income

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

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1.15 Revenue from non-exchange transactions (continued)

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summons. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summons the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Revenue on both spot fines and summons is recognised based on the amount of each fine issued. Any subsequent court reduction on the amount of fines issued is accounted for as a change in the estimated revenue.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.16 Borrowing costs

It is appropriate to capitalise borrowing costs when, and only when there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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Accounting Policies

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.22 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2014 to 30/06/2015.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.24 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.25 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.26 Events after the reporting date

There were no adjusting and non-adjusting events subsequent to the reporting date.

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

2015

2014

2. New standards and interpretations

2.1 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2015	The impact of the amendment is not material.
• GRAP 25: Employee benefits	01 April 2015	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2016	The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	Not applicable
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	Not applicable
• GRAP108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	Not applicable.
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	The impact of the amendment is not material.

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

3. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	30 991 190	-	30 991 190	30 991 190	-	30 991 190
Buildings	40 275 698	(5 331 875)	34 943 823	40 055 698	(3 994 241)	36 061 457
Plant and machinery	800 000	(143 615)	656 385	288 402	(58 536)	229 866
Furniture and fixtures	1 912 283	(1 284 882)	627 401	1 985 914	(1 068 955)	916 959
Motor vehicles	2 769 920	(1 406 880)	1 363 040	1 753 754	(1 132 968)	620 786
Office equipment	1 805 027	(708 612)	1 096 415	1 234 963	(543 534)	691 429
Infrastructure	172 196 405	(41 468 349)	130 728 056	165 753 196	(31 292 964)	134 460 232
Community	58 458 073	(6 786 703)	51 671 370	47 433 826	(3 459 145)	43 974 681
Bins and containers	499 900	(163 033)	336 867	351 154	(116 278)	234 876
Other property, plant and equipment	120 774	(119 874)	900	131 010	(129 870)	1 140
Leased motor vehicles	3 392 281	(1 473 221)	1 919 060	3 392 281	(1 137 798)	2 254 483
Specialised vehicles	1 150 000	(19 167)	1 130 833	-	-	-
Water network	142 019	(12 857)	129 162	2 798	(433)	2 365
Work-in-progress	50 514 212	-	50 514 212	37 848 455	-	37 848 455
Total	365 027 782	(58 919 068)	306 108 714	331 222 641	(42 934 722)	288 287 919

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Donations	Depreciation	Impairment loss	Total
Land	30 991 190	-	-	-	-	-	-	30 991 190
Buildings	36 061 457	-	-	-	220 000	(1 337 634)	-	34 943 823
Plant and machinery	229 866	-	(15 979)	-	535 200	(90 948)	(1 754)	656 385
Furniture and fixtures	916 959	2 839	(12 638)	-	3 000	(278 205)	(4 554)	627 401
Motor vehicles	620 786	836 166	-	-	180 000	(273 912)	-	1 363 040
Office equipment	691 428	654 549	(8 368)	-	600	(238 309)	(3 485)	1 096 415
Infrastructure	134 460 233	-	-	6 443 208	-	(10 009 388)	(165 997)	130 728 056
Community	43 974 682	-	-	11 024 247	-	(1 863 388)	(1 464 171)	51 671 370
Bins and containers	234 876	149 500	-	-	-	(47 508)	-	336 868
Other property, plant and equipment	1 140	-	-	-	-	(240)	-	900
Leased motor vehicles	2 254 483	-	-	-	-	(335 423)	-	1 919 060
Specialised vehicles	-	-	-	-	1 150 000	(19 167)	-	1 130 833
Water network	2 365	139 221	-	-	-	(12 424)	-	129 162
Work-In-Progress	37 848 455	30 133 213	-	(17 467 456)	-	-	-	50 514 212
	288 287 920	31 915 488	(36 985)	(1)	2 088 800	(14 506 546)	(1 639 961)	306 108 715

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers	Assets written off	Depreciation	Impairment loss	Total
Land	28 902 790	-	2 088 400	-	-	-	30 991 190
Buildings	37 244 340	151 048	-	-	(1 333 931)	-	36 061 457
Plant and machinery	46 723	235 909	-	(2 849)	(49 917)	-	229 866
Furniture and fixtures	891 143	549 175	-	(200 788)	(306 915)	(15 656)	916 959
Motor vehicles	698 989	164 500	-	-	(242 703)	-	620 786
Office equipment	786 094	308 990	-	(84 831)	(311 296)	(7 529)	691 428
Infrastructure	128 044 993	611 727	14 616 347	-	(8 812 834)	-	134 460 233
Community	31 932 767	-	13 443 708	-	(1 401 793)	-	43 974 682
Bins and containers	269 934	-	-	-	(35 058)	-	234 876
Security measures	11 068	-	-	(2 150)	(7 778)	-	1 140
Leased Motor Vehicles	2 589 906	-	-	-	(335 423)	-	2 254 483
Water tankers	2 765	-	-	-	(400)	-	2 365
Work-In-Progress	32 960 330	33 144 043	(28 060 055)	(195 863)	-	-	37 848 455
	264 381 842	35 165 392	2 088 400	(486 481)	(12 838 048)	(23 185)	288 287 920

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015	2014
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4. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	45 832 130	-	45 832 130	37 322 304	-	37 322 304

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	37 322 304	8 509 826	45 832 130

Reconciliation of investment property - 2014

	Opening balance	Disposals	Transfers	Fair value adjustments	Total
Investment property	41 371 684	(2 519 280)	(2 088 400)	558 300	37 322 304

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	1 007 455	(685 616)	321 839	968 968	(544 666)	424 302

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Intangible assets	424 302	38 486	(140 949)	321 839

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Intangible assets	140 558	556 775	(273 031)	424 302

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015	2014
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6. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Statue	1 020 835	-	1 020 835	1 020 835	-	1 020 835

Reconciliation of heritage assets 2015

	Opening balance	Total
Statue	1 020 835	1 020 835

Reconciliation of heritage assets 2014

	Opening balance	Total
Statue	1 020 835	1 020 835

7. Receivables from non-exchange transactions

Fines	709 138	389 898
Other receivables from non-exchange revenue	241 624	241 624
	950 762	631 522

Included in receivables from non-exchange transactions is:

Fines	4 109 420	3 187 255
Other	241 624	241 624
Less: Credit impairment	(3 443 680)	(2 797 357)
	950 762	631 522

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(2 813 482)	-
Credit impairment - traffic fines	(586 800)	(2 676 260)
Credit impairment - other	(21 699)	(137 222)
	(3 421 981)	(2 813 482)

8. VAT receivable

VAT	709 403	52 553
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Mtubatuba Municipality accounts for VAT on cash basis.

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015	2014
9. Trade and other receivables		
Gross balances		
Rates	48 273 687	37 145 452
Refuse	11 486 934	9 829 549
Security	3 945 351	3 570 190
	63 705 972	50 545 191
Less: Allowance for impairment		
Rates	(32 781 684)	(27 840 991)
Refuse	(8 062 638)	(7 367 372)
Security	(3 154 534)	(2 059 459)
	(43 998 856)	(37 267 822)
Net balance		
Rates	15 492 003	9 304 461
Refuse	3 424 296	2 462 176
Security	790 817	1 510 731
	19 707 116	13 277 368
Agriculture, business and mining		
Current (0 -30 days)	1 544 482	737 606
31 - 60 days	459 980	1 073 807
61 - 90 days	403 039	381 468
91 - 120 days	384 130	363 725
121 - 365 days	8 946 042	6 042 985
	11 737 673	8 599 591
Residential		
Current (0 -30 days)	2 591 075	1 289 283
31 - 60 days	1 001 544	2 132 182
61 - 90 days	953 875	900 687
91 - 120 days	947 839	868 453
121 - 365 days	37 902 804	31 384 776
	43 397 137	36 575 381

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015	2014
9. Trade and other receivables (continued)		
Other debtors		
Current (0 -30 days)	490 387	163 812
31 - 60 days	225 613	265 856
61 - 90 days	200 908	143 795
91 - 120 days	213 806	102 502
121 - 365 days	7 440 448	4 694 254
	8 571 162	5 370 219
Total		
Current (0 -30 days)	4 625 944	2 190 701
31 - 60 days	1 687 137	3 471 845
61 - 90 days	1 557 822	1 425 950
91 - 120 days	1 545 775	1 334 680
121 - 365 days	53 634 983	41 299 549
Add back: Credit balances in debtors	654 311	822 466
Less: Credit impairments	(43 998 856)	(37 267 823)
	19 707 116	13 277 368
Reconciliation of allowance for impairment		
Balance at beginning of the year	(37 267 822)	(30 339 978)
Contributions to allowance	(6 731 034)	(6 927 844)
	(43 998 856)	(37 267 822)
10. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	4 760	1 427
Bank balances	13 197 345	395 649
Short-term deposits	359 629	354 106
Other cash and cash equivalents	282 666	143 753
	13 844 400	894 935

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
First National Bank - Primary - 53093735184	13 182 186	423 561	1 447 164	13 182 186	377 085	1 436 629
First National Bank - Eskom - 71044025057	191 600	191 600	191 600	191 600	191 600	191 600
First National Bank - Money Market - 62424097831	52 260	50 397	-	52 260	50 397	-
First National Bank - Call Account - 62424098376	85 126	82 090	-	85 126	82 090	-
First National Bank - Money Market 3 - 62424094986	30 643	30 019	-	30 643	30 019	-
First National Bank - Traffic Fines	274 045	136 097	-	274 045	136 097	-
First National Bank - Petty cash - 62393938249	15 159	18 564	-	15 159	18 564	-
Cash on hand	-	-	-	4 760	1 427	-
Cashiers collection	-	-	-	8 621	7 656	-
Total	13 831 019	932 328	1 638 764	13 844 400	894 935	1 628 229

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015	2014
11. Finance lease obligation		
Minimum lease payments due		
- within one year	49 009	873 575
- in second to fifth year inclusive	624 249	672 964
Present value of minimum lease payments	673 258	1 546 539
Non-current liabilities	49 009	672 964
Current liabilities	624 249	873 575
	673 258	1 546 539
It is municipality policy to lease certain motor vehicles and equipment under finance leases.		
The average lease term was 5 years and the average effective borrowing rate was 9% (2014: 9%).		
Interest rates are linked to prime at the contract date.		
12. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Low Cost Housing Grant	1 232 377	1 232 377
Infrastructure Sport Facilities	1 952 828	525 000
Rural electrification	-	485 373
Corridor development grant	-	7 300 000
MTB library computer assistance	66 068	65 188
Expanded public works	-	5 455
Sport & recreation grant	17 667	166 704
	3 268 940	9 780 097
Movement during the year		
Balance at the beginning of the year	9 780 098	14 869 840
Additions during the year	36 644 000	40 318 000
Income recognition during the year	(43 155 158)	(41 307 706)
Amount offset against equitable share	-	(4 100 036)
	3 268 940	9 780 098
13. Long-term loan		
At amortised cost		
Development Bank of Southern African loan	1 598 827	1 911 691
The DBSA loan is repaid over a period of 10 years and has a redemption date of 30 September 2018 at a fixed interest rate of 8.16%. The DBSA loan is not secured.		
Management of the Municipality is of the opinion that the carrying value of long-term liabilities recorded at amortised cost in the financial statements approximate the fair value of the loan.		
Non-current liabilities		
At amortised cost	901 514	1 235 642
Current liabilities		
At amortised cost	697 313	676 050

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015	2014
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14. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Environmental rehabilitation	3 322 934	348 908	3 671 842

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	3 007 180	315 754	3 322 934

Environmental rehabilitation provision

The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10.5% over an average period of 5 years.

15. Payables from exchange transactions

Trade payables	5 324 730	7 588 159
Accrued leave pay	4 337 348	4 781 732
Accrued bonus	909 955	889 972
Accrued expenses	1 211 559	2 990 581
Retentions	3 019 190	3 011 166
	14 802 782	19 261 610

The fair value of trade and other payables approximates their carrying amounts.

16. Third party payables

Medical aid contributions	314 490	287 048
PAYE, SDL & UIF	564 798	467 765
Pension fund contributions	612 260	451 849
Other contributions	119 017	212 909
	1 610 565	1 419 571

Third party payables in respect of all payroll related deductions.

Mtubatuba Municipality

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Notes to the Annual Financial Statements

	2015	2014
17. Government grants and subsidies		
Operating grants		
Equitable share	81 379 000	60 734 000
Capacity building	121 263	-
Finance management grant / budget and treasury office	1 800 000	1 650 000
Library provincial support grant / libraries and archives	3 701 747	2 215 000
M T B library assistants - cadets/libraries and archives	251 120	251 893
MSIG ward committee expenditure	-	890 000
EPWP/Road transport/Roads	1 064 455	994 545
Sport Caretakers/Community	149 037	133 296
Operational National Electrification	1 500 000	-
Infrastructure Sport Facilities Grant	147 172	-
MSIG Ward Committees	934 000	-
MIG Operational	484 337	-
	91 532 131	66 868 734
Capital grants		
Municipal Infrastructure Grant (MIG)	29 039 663	27 397 979
National Electrification Programme	485 373	7 160 965
Small Town Rehabilitation	-	614 064
	29 525 036	35 173 008
	121 057 167	102 041 742

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Low cost housing grant

Balance unspent at beginning of year	1 232 377	1 232 377
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Conditions still to be met - remain liabilities (see note 12).

Infrastructure sport facilities

Balance unspent at beginning of year	525 000	-
Current-year receipts	1 575 000	525 000
Conditions met - transferred to revenue	(147 172)	-
	1 952 828	525 000

Conditions still to be met - remain liabilities (see note 12).

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015	2014
17. Government grants and subsidies (continued)		
Rural electrification		
Balance unspent at beginning of year	485 373	2 446 338
Current-year receipts	-	8 000 000
Conditions met - transferred to revenue	(485 373)	(7 160 965)
Other	-	(2 800 000)
	-	485 373
Conditions still to be met - remain liabilities (see note 12).		
Corridor development funding		
Balance unspent at beginning of year	7 300 000	6 482 506
Grant-Repayment to COGTA	(7 300 000)	-
Correction of prior period error	-	817 494
	-	7 300 000
Conditions still to be met - remain liabilities (see note 12).		
MTB Library Computer Assistance		
Balance unspent at beginning of year	65 188	77 082
Current-year receipts	252 000	240 000
Conditions met - transferred to revenue	(251 120)	(251 894)
	66 068	65 188
Conditions still to be met - remain liabilities (see note 12).		
Extended public works		
Balance unspent at beginning of year	5 455	-
Current-year receipts	1 059 000	1 000 000
Conditions met - transferred to revenue	(1 064 455)	(994 545)
	-	5 455
Conditions still to be met - remain liabilities (see note 12).		
Municipal infrastructure grant		
Balance unspent at beginning of year	-	3 199 979
Current-year receipts	29 524 000	25 498 000
Conditions met - transferred to revenue	(29 524 000)	(27 397 979)
Other	-	(1 300 000)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
Sport & recreation caretakers		
Balance unspent at beginning of year	166 704	-
Current-year receipts	-	300 000
Other	(149 037)	(133 296)
	17 667	166 704

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015	2014
17. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 12).		
Finance management grant		
Current-year receipts	1 800 000	1 650 000
Conditions met - transferred to revenue	(1 800 000)	(1 650 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 12).		
18. General expenses		
Advertising	286 991	529 795
Auditors remuneration	1 116 379	2 011 771
Bank charges	111 689	170 550
Consulting and professional fees	6 042 161	1 115 261
Consumables	363 835	733 320
Entertainment	-	6 000
Insurance	248 270	386 178
IT expenses	731 302	1 030 084
Motor vehicle expenses	221 233	140 773
Fuel and oil	813 384	1 044 609
Postage and courier	70 852	93 893
Printing and stationery	692 818	510 992
Subscriptions and membership fees	-	1 356 626
Telephone and fax	935 041	1 167 859
Training	159 729	464 679
Travel - local	588 395	1 815 691
Electricity	927 637	725 344
Uniforms	308 230	207 584
Special Programmes	1 907 509	1 827 185
Grants	-	13 740
Other Expenses	3 235 671	12 577 838
Lease rentals on operating lease	2 177 528	1 394 764
	<u>20 938 654</u>	<u>29 324 536</u>

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015	2014
19. Employee related costs		
Basic	26 708 258	23 105 088
Medical aid - company contributions	2 181 286	1 910 519
UIF	249 958	231 681
SDL	388 909	408 972
Other payroll levies	12 559	11 760
Leave pay provision charge	(83 346)	2 063 725
Group life insurance	1 998 802	-
Short term benefit	958 658	1 238 201
Defined contribution plans	3 291 703	2 670 539
Travel, motor car, accommodation, subsistence and other allowances	102 009	15 388
Overtime payments	700 563	2 497 547
13th Cheques	1 693 709	1 634 074
Car allowance	2 647 050	2 796 373
Housing benefits and allowances	659 103	497 492
Telephone allowances	115 930	99 623
Long-term benefits - incentive scheme	(54 000)	-
	41 571 151	39 180 982
Remuneration - Municipal Manager		
Annual Remuneration	544 820	576 853
Car Allowance	204 350	226 787
Cellphone allowance	24 000	24 000
Other	224 292	344 910
	997 462	1 172 550
Remuneration - Chief Finance Officer		
Annual Remuneration	456 107	435 857
Car Allowance	181 607	181 607
Cellphone allowance	20 000	14 000
Other	179 096	137 081
	836 810	768 545
Remuneration - Director Corporate Services		
Annual Remuneration	505 912	390 390
Car Allowance	180 000	150 000
Cellphone allowance	24 000	14 000
Other	155 039	132 081
	864 951	686 471
Remuneration - Director Community Services		
Annual Remuneration	617 374	576 853
Car Allowance	181 003	181 002
Cellphone allowance	24 000	21 500
Other	59 676	95 167
	882 053	874 522

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015	2014
19. Employee related costs (continued)		
Remuneration - Director Technical Services		
Annual Remuneration	617 374	576 853
Car Allowance	165 918	181 002
Cellphone allowance	24 000	21 500
Other	41 827	71 832
	849 119	851 187
20. Remuneration of councillors		
The Mayor	342 130	605 873
Deputy Mayor	191 232	465 267
Mayoral Committee Members	656 025	1 706 989
Speaker	283 968	725 190
Councillors	5 735 376	7 090 909
	7 208 731	10 594 228
In-kind benefits		
The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has the use of separate Council owned vehicles for official duties.		
The Mayor has two full-time bodyguards . The Deputy Mayor and speaker have two and one full-time bodyguards respectively.		
The salaries, fringe benefits and allowances payable to councillors, as disclosed above, are within the limits as determined by the MEC for Cooperative Governance and Traditional Affairs.		
21. Debt impairment and write offs		
Debt impairment/(reversal of debt impairment)	7 317 834	9 741 326
Debts written off	759 574	2 397 943
	8 077 408	12 139 269
Debts written off relates to 50% amnesty and write-offs in respect of indigent consumers as approved by the Council.		
22. Depreciation, amortisation and impairment		
Property, plant and equipment	16 146 509	12 861 233
Intangible assets	140 950	273 031
	16 287 459	13 134 264
23. Finance costs		
Interest on borrowings	268 834	708 281
Interest other	881 977	368 665
	1 150 811	1 076 946
24. Auditors' remuneration		
Fees	1 116 379	2 011 771

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015	2014
25. Contracted services		
Other Contractors	10 339 328	9 628 888
26. Cash generated from operations		
Surplus	58 227 835	17 712 256
Adjustments for:		
Depreciation and amortisation	16 287 459	13 134 264
Gain or (loss) on sale of assets	36 986	1 494 107
Donations	(2 088 800)	-
Fair value adjustments	(8 509 826)	-
Debt written off / rebates	8 077 408	12 139 269
Movements in operating lease assets and accruals	-	187 739
Movements in retirement benefit liabilities	140 000	2 087 000
Movements in provisions	348 908	315 754
Changes in working capital:		
Consumer debtors	(14 507 157)	(15 120 553)
Other receivables from non-exchange transactions	(319 240)	1 613 652
Payables from exchange transactions	(4 458 826)	2 121 918
VAT	(656 851)	3 322 712
Third party payables	190 994	222 291
Unspent conditional grants and receipts	(6 511 158)	(5 089 742)
	46 257 732	34 140 667

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015	2014
27. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	5 189 680	15 863 354
• Electrification	-	4 485 905
	5 189 680	20 349 259
Not yet contracted for and authorised by accounting officer		
• Infrastructure	52 511 508	34 792 461
• Electrification	9 102 425	9 500 000
	61 613 933	44 292 461
Total capital commitments		
Already contracted for but not provided for	5 189 680	20 349 259
Not yet contracted for and authorised by accounting officer	61 613 933	44 292 461
	66 803 613	64 641 720

This committed expenditure relates to infrastructure, community and electrification projects and will be financed by government grants.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 447 546	1 608 714
- in second to fifth year inclusive	1 363 691	1 491 201
	2 811 237	3 099 915

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of three years. No contingent rent is payable.

28. Contingencies

The following cases against the municipality are still pending and management consider them as contingent liabilities: **2015**

(1) Cliopique (Pty) Ltd t/a Umthunzi Hotel and Conference - the company is claiming for services rendered to the municipality officials. The amount claimed is R90 000. The matter is currently at litigation stage.

(2) Thokozani Ndlanzi - the municipality is a third respondent in this matter. The plaintiff claimed R400 000 and cost.

(3) Simphiwe SR Myeni & Others - application. The matter is pending and the estimated financial exposure including cost is R220 000.

(4) Simphiwe SR Myeni & Others - civil matter. The matter is pending and the estimated financial exposure including cost is R200 000.

(5) Siyabonga R Ntuli - civil matter. The matter is pending and the estimated financial exposure including cost is R300 000.

29. Related parties

There were no transactions with related parties that were not at arm's length or that were not in the ordinary course of business.

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Notes to the Annual Financial Statements

2015

2014

30. Prior period errors

1. Trade and other payables

Through the detailed review of the creditors age analysis and direct confirmation with the suppliers, the municipality discovered that some of the credit balances as at 30 June 2014 were invalid. This resulted to overstatement of trade creditors balance and constitutes a prior period error in terms of GRAP. The municipality has processed the necessary correcting entries in order to ensure fair presentation.

2. Retention and Capital Work-In-Progress

During the 2015 financial year the municipality received litigation claim from Nkonka Civil relating to unpaid retention in respect of the project completed in 2012 financial year. The retention liability in respect of this project was not previously recognised in the municipality's accounting records, consequently retention and work-in-progress account balances were mistated. The municipality has processed the necessary correcting entries in order to ensure fair presentation.

3. Unspent conditional grants

Through the detailed review of the unspent conditional grants general ledger account, in respect of Corridor Development Funding, and confirmation from the transferring officer CoGTA, the municipality confirmed that the conditional grant liability was understated on the municipality's financial records in the prior years. The error resulted from over-realisation of revenue during 2012 financial period. The municipality has processed the necessary correcting entries in order to ensure fair presentation.

4. Property plant and equipment - Land

The municipality has reclassified certain items under investment properties, that no longer meet the definition of investment property, into property plant and equipment.

5. Work-In-Progress

The following mistatements on the 2014 Work in Progress account balance were discovered during the current financial year:

Expenditure relating to Ntandabantu Tourism Centre was not capitalised in 2014/2015 financial year and remained in Work in Progress account. The project became available for use during February 2014.

Expenditure relating to Small Town rehabilitation amounting to R195 863 was erroneously capitalised in Work in Progress account balance.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Trade and other payables	-	92 400
Work-in-progress	-	807 590
VAT	-	74 294
Retentions	-	(697 368)
Unspent conditional grants	-	(817 494)
Property plant and equipment - Land	-	2 088 400
Investment property	-	(2 088 400)
Work in progress	-	(1 161 831)
Property plant and equipment - Community	-	1 161 831
Opening Accumulated Surplus or Deficit	-	(932 304)

Statement of Financial Performance

Depreciation expense	-	87 794
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Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015	2014
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31. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Consumer debtors comprise of a large number of ratepayers dispersed across different sectors and geographical areas. Management evaluated credit risk relating to customers on an ongoing basis. Credit exposure is managed by application of the municipality's policies regarding credit control and debt collection. The municipality has made a provision for doubtful debts in accordance to its policies. The carrying amount of financial assets is the maximum exposure to credit risk in relation to these assets.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Trade and other receivables from exchange transactions	3 252 829	3 150 448
Trade and other receivables from non-exchange transactions	15 066 931	10 126 920

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. The DBSA loan has a fixed interest rate which is not linked to the prime rate.

32. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

33. Events after the reporting date

There were no adjusting events after the reporting date.

34. Unauthorised expenditure

Opening balance	31 293 829	17 323 928
Current year movement - actual expenditure exceeds budget	12 353 992	17 902 696
Other expenditure - bodyguards MM	-	418 730
Prior year unspent conditional grants realised during the year	-	(4 351 525)
	43 647 821	31 293 829

The current year over-expenditure relates to non-cash items in respect of Depreciation, Credit impairment, Provision for 13th cheque bonus and the Provision for accumulated leave days.

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Notes to the Annual Financial Statements

	2015	2014
35. Fruitless and wasteful expenditure		
Opening balance	1 083 156	767 638
Interest on late payments	51 576	27 799
Penalties - SARS	325 241	287 719
	1 459 973	1 083 156

36. Irregular expenditure

Opening balance	36 098 784	27 835 126
Add: Irregular Expenditure - current year	3 892 327	8 263 658
Add: SCM Deviations	1 128 113	-
Less: SCM deviation reported	(1 128 113)	-
	39 991 111	36 098 784

37. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of GRAP 100 in respect of assets that were previously classified as non-current asset held for sale and GRAP 25 Post retirement medical aid benefit.

Non Current Assets Held For Sale

GRAP 100 Non Current Assets Held For Sale and Discontinued operations was revised in February 2013. The revised GRAP 100 Discontinued operations is applicable from the 1 April 2014. The municipality has previously intended to realise certain plots of land through disposal. These plots were accounted for as Non Current Assets Held For Sale. Due to amendments in GRAP 100, the municipality has adopted GRAP 16 Investment Property as the accounting policy for these plots of land. Therefore the plots of land have been reclassified into Investment Property account balance

Post employment medical aid benefit

During the year, the municipality has adopted GRAP 25 as its accounting policy with respect to the treatment of post retirement medical aid benefit. The municipality has previously accounted for this cost on cash basis.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2015 is as follows:

Statement of financial position

Investment property

Investment properties	-	13 168 404
Non-current assets held for sale	-	(13 168 404)
	-	-

Post retirement medical aid benefit

Post retirement medical aid liability	-	(2 087 000)
Retained income	-	2 087 000
	-	-

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015	2014
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38. Medical Aid Subsidy Liability

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of funded obligation	(2 227 000)	(2 087 000)
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	2 087 000	2 087 000
Interest cost	194 000	-
Benefits paid	(120 000)	-
Actuarial (gains)Loss	66 000	-
	2 227 000	2 087 000

Key assumptions used

Independent valuers, Diverse Expertise, One Solution, carried out a statutory valuation on an annual basis. The principal actuarial assumptions used at the reporting date were as follows:

Discount rates used	8.69 %	9.95 %
Consumer price index	6.38 %	7.12 %
Healthcare cost inflation	7.88 %	8.62 %
Net discount rate	0.75 %	0.89 %

Other assumptions

Profile of active employees:

	Number of continuation pensioners
Age<54	-
Age 55-59	1
Age 60-64	-
Age 65-69	2
Age 70-74	1
Age>79	-
Average age	65
Average employer monthly contribution	2 407

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015	2014
39. Revenue		
Rendering of services	1 581 846	1 492 908
Service charges	3 275 127	3 008 407
Rental of facilities and equipment	239 247	221 325
Interest received - trading	6 730 372	5 688 123
Licences and permits	2 504 233	2 790 357
Administration and management fees received	532 377	1 232 539
Fees earned	425 498	507 917
Interest received - investment	761 127	517 055
Property rates	21 377 512	19 262 306
Government grants & subsidies	121 057 167	102 041 742
Fines	1 281 579	1 531 312
	159 766 085	138 293 991
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	3 275 127	3 008 407
Rendering of services	1 581 846	1 492 908
Rental of facilities and equipment	239 247	221 325
Interest received	6 730 372	5 688 123
Licences and permits	2 504 233	2 790 357
Administration and management fees received	532 377	1 232 539
Fees earned	425 498	507 917
Interest received - investment	761 127	517 055
	16 049 827	15 458 631
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	21 377 512	19 262 306
Transfer revenue		
Government grants & subsidies	121 057 167	102 041 742
Fines	1 281 579	1 531 312
	143 716 258	122 835 360
40. Service charges		
Refuse removal	3 275 127	3 008 407
41. Fines		
Fines	1 276 186	1 526 127
Library fines	5 393	5 185
	1 281 579	1 531 312
42. Interest revenue		
Interest revenue		
Bank	761 127	517 055
43. Comparative figures		
Certain comparative figures have been reclassified.		

Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015	2014
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43. Comparative figures (continued)

The effects of the reclassification are as follows:

Statement of Financial Performance

Repairs and maintenance	-	179 562
Contracted services	-	(142 750)
General expenses	-	(36 814)

44. Additional disclosure in terms of Municipal Finance Management Act

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mrs MM Davies	-	2 715	2 715
Mr NE Zuma	-	15 089	15 089
Mr RB Mkhwanazi	-	36 071	36 071
Mrs AR Roy	-	42 691	42 691
	<u>-</u>	<u>96 566</u>	<u>96 566</u>

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mr EK Magwaza	-	47 377	47 377
Mrs NA Dhlamini	-	4 507	4 507
Mrs MM Davies	-	334	334
Mr T Ndlovu	-	51	51
Mrs NG Khumalo	-	14 917	14 917
	<u>-</u>	<u>67 186</u>	<u>67 186</u>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Appendix A

June 2015

Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
Non-current portion - DBSA	43373	1 235 642	-	334 129	901 513	-	-
Current portion - DBSA	43373	676 050	21 265	-	697 315	-	-
		1 911 692	21 265	334 129	1 598 828	-	-
Lease liability							
Non-current portion -ABSA	Various	441 991	-	441 991	-	-	-
Non-current portion - WESBANK	Various	230 973	-	181 964	49 009	-	-
Current portion - ABSA	Various	710 781	-	268 762	442 019	-	-
Current portion - WESBANK	Various	162 794	19 437	-	182 231	-	-
		1 546 539	19 437	892 717	673 259	-	-
Government loans							
Total external loans							
Development Bank of South Africa		1 911 692	21 265	334 129	1 598 828	-	-
Lease liability		1 546 539	19 437	892 717	673 259	-	-
		3 458 231	40 702	1 226 846	2 272 087	-	-

June 2015

Analysis of property, plant and equipment as at 30 June 2015	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	30 991 190	-	-	-	-	-	30 991 190	-	-	-	-	-	-	30 991 190
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	40 055 698	220 000	-	-	-	-	40 275 698	(3 994 241)	-	-	(1 337 634)	-	(5 331 875)	34 943 823
	71 046 888	220 000	-	-	-	-	71 266 888	(3 994 241)	-	-	(1 337 634)	-	(5 331 875)	65 935 013
Infrastructure														
Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bus terminals and taxi	548 385	-	-	-	-	-	548 385	(30 847)	-	-	(13 710)	-	(44 557)	503 828
Road network	81 553 513	6 443 209	-	-	-	-	87 996 722	(20 230 747)	-	-	(7 459 760)	-	(27 690 507)	60 306 215
Sanitation network	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stormwater network	83 651 296	-	-	-	-	-	83 651 296	(11 031 370)	-	-	(2 701 916)	-	(13 733 286)	69 918 010
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucutr)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	165 753 194	6 443 209	-	-	-	-	172 196 403	(31 292 964)	-	-	(10 175 386)	-	(41 468 350)	130 728 053
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	26 485 168	895 357	-	-	-	-	27 380 525	(943 703)	-	-	(1 844 008)	-	(2 787 711)	24 592 814
Libraries	6 094 500	-	-	-	-	-	6 094 500	(1 828 350)	-	-	(609 450)	-	(2 437 800)	3 656 700
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	14 854 158	10 128 888	-	-	-	-	24 983 046	(687 091)	-	-	(874 101)	-	(1 561 192)	23 421 854
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	47 433 826	11 024 245	-	-	-	-	58 458 071	(3 459 144)	-	-	(3 327 559)	-	(6 786 703)	51 671 368

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other - Statue	1 020 835	-	-	-	-	-	1 020 835	-	-	-	-	-	-	1 020 835
	1 020 835	-	-	-	-	-	1 020 835	-	-	-	-	-	-	1 020 835
Work in progress														
Work in progress	37 848 455	30 133 212	(17 467 453)	-	-	-	50 514 214	-	-	-	-	-	-	50 514 214
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	37 848 455	30 133 212	(17 467 453)	-	-	-	50 514 214	-	-	-	-	-	-	50 514 214
Other assets														
General vehicles	1 753 754	1 016 656	-	-	-	-	2 770 410	(1 132 968)	-	-	(273 912)	-	(1 406 880)	1 363 530
Plant & equipment	288 402	535 200	(23 601)	-	-	-	800 001	(58 536)	7 622	-	(92 701)	-	(143 615)	656 386
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	1 985 914	5 839	(79 470)	-	-	-	1 912 283	(1 068 848)	66 832	-	(282 759)	-	(1 284 775)	627 508
Office Equipment	1 234 963	654 549	(85 085)	-	-	-	1 804 427	(543 640)	76 716	-	(241 794)	-	(708 718)	1 095 709
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water tanks	2 798	139 221	-	-	-	-	142 019	(433)	-	-	(12 424)	-	(12 857)	129 162
Other security measures	131 010	-	(10 236)	-	-	-	120 774	(129 870)	10 236	-	(240)	-	(119 874)	900
Bins and Containers	351 154	149 500	(751)	-	-	-	499 903	(116 278)	754	-	(47 394)	-	(162 918)	336 985
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leased motor vehicle	3 392 281	-	-	-	-	-	3 392 281	(1 137 798)	-	-	(335 423)	-	(1 473 221)	1 919 060
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised	-	1 150 000	-	-	-	-	1 150 000	-	-	-	(19 167)	-	(19 167)	1 130 833
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	9 140 276	3 650 965	(199 143)	-	-	-	12 592 098	(4 188 371)	162 160	-	(1 305 814)	-	(5 332 025)	7 260 073

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	71 046 888	220 000	-	-	-	-	71 266 888	(3 994 241)	-	-	(1 337 634)	-	(5 331 875)	65 935 013
Infrastructure	165 753 194	6 443 209	-	-	-	-	172 196 403	(31 292 964)	-	-	(10 175 386)	-	(41 468 350)	130 728 053
Community Assets	47 433 826	11 024 245	-	-	-	-	58 458 071	(3 459 144)	-	-	(3 327 559)	-	(6 786 703)	51 671 368
Heritage assets	1 020 835	-	-	-	-	-	1 020 835	-	-	-	-	-	-	1 020 835
Work in progress	37 848 455	30 133 212	(17 467 453)	-	-	-	50 514 214	-	-	-	-	-	-	50 514 214
Other assets	9 140 276	3 650 965	(199 143)	-	-	-	12 592 098	(4 188 371)	162 160	-	(1 305 814)	-	(5 332 025)	7 260 073
	332 243 474	51 471 631	(17 666 596)	-	-	-	366 048 509	(42 934 720)	162 160	-	(16 146 393)	-	(58 918 953)	307 129 556
Non-current assets held-for-sale														
Non-current assets Held-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	968 968	38 486	-	-	-	-	1 007 454	(544 666)	-	-	(140 950)	-	(685 616)	321 838
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	968 968	38 486	-	-	-	-	1 007 454	(544 666)	-	-	(140 950)	-	(685 616)	321 838
Investment properties														
Investment property	39 410 704	-	-	-	(2 088 400)	8 509 826	45 832 130	-	-	-	-	-	-	45 832 130
	39 410 704	-	-	-	(2 088 400)	8 509 826	45 832 130	-	-	-	-	-	-	45 832 130
Total														
Land and buildings	71 046 888	220 000	-	-	-	-	71 266 888	(3 994 241)	-	-	(1 337 634)	-	(5 331 875)	65 935 013
Infrastructure	165 753 194	6 443 209	-	-	-	-	172 196 403	(31 292 964)	-	-	(10 175 386)	-	(41 468 350)	130 728 053
Community Assets	47 433 826	11 024 245	-	-	-	-	58 458 071	(3 459 144)	-	-	(3 327 559)	-	(6 786 703)	51 671 368
Heritage assets	1 020 835	-	-	-	-	-	1 020 835	-	-	-	-	-	-	1 020 835
Work in progress	37 848 455	30 133 212	(17 467 453)	-	-	-	50 514 214	-	-	-	-	-	-	50 514 214
Other assets	9 140 276	3 650 965	(199 143)	-	-	-	12 592 098	(4 188 371)	162 160	-	(1 305 814)	-	(5 332 025)	7 260 073
Non-current assets held-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	968 968	38 486	-	-	-	-	1 007 454	(544 666)	-	-	(140 950)	-	(685 616)	321 838
Investment properties	39 410 704	-	-	-	(2 088 400)	8 509 826	45 832 130	-	-	-	-	-	-	45 832 130
	372 623 146	51 510 117	(17 666 596)	-	(2 088 400)	8 509 826	412 888 093	(43 479 386)	162 160	-	(16 287 343)	-	(59 604 569)	353 283 524

Appendix B

Analysis of property, plant and equipment as at 30 June 2014	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	28 902 790	-	-	-	-	-	28 902 790	-	-	-	-	-	-	28 902 790
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	39 904 650	3	-	-	-	-	39 904 653	(2 660 310)	-	-	(1 333 931)	-	(3 994 241)	35 910 412
	68 807 440	3	-	-	-	-	68 807 443	(2 660 310)	-	-	(1 333 931)	-	(3 994 241)	64 813 202
Infrastructure														
Bus terminals and taxi	548 385	-	-	-	-	-	548 385	(17 137)	-	-	(13 710)	-	(30 847)	517 538
Road networks	66 325 442	14 616 344	-	-	-	-	80 941 786	(14 133 492)	-	-	(6 009 414)	-	(20 142 906)	60 798 880
Storm network	83 651 296	-	-	-	-	-	83 651 296	(8 329 454)	-	-	(2 701 916)	-	(11 031 370)	72 619 926
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucutr)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	150 525 123	14 616 344	-	-	-	-	165 141 467	(22 480 083)	-	-	(8 725 040)	-	(31 205 123)	133 936 344
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	23 356 955	3 128 213	-	-	-	-	26 485 168	(574 957)	-	-	(368 746)	-	(943 703)	25 541 465
Libraries	6 094 500	-	-	-	-	-	6 094 500	(1 218 900)	-	-	(609 450)	-	(1 828 350)	4 266 150
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	4 538 663	9 153 664	-	-	-	-	13 692 327	(263 494)	-	-	(407 460)	-	(670 954)	13 021 373
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	33 990 118	12 281 877	-	-	-	-	46 271 995	(2 057 351)	-	-	(1 385 656)	-	(3 443 007)	42 828 988

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Heritage assets

Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	1 020 835	-	-	-	-	-	1 020 835	-	-	-	-	-	1 020 835
	1 020 835	-	-	-	-	-	1 020 835	-	-	-	-	-	1 020 835

Specialised vehicles

Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Other assets

General vehicles	1 589 254	164 500	-	-	-	-	1 753 754	(890 265)	-	-	(242 703)	-	(1 132 968)	620 786
Plant & equipment	67 832	235 908	(15 339)	-	-	-	288 401	(21 109)	12 491	-	(49 917)	-	(58 535)	229 866
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	1 880 545	549 175	(443 806)	-	-	-	1 985 914	(989 402)	243 018	-	(322 571)	-	(1 068 955)	916 959
Office Equipment	1 343 328	308 991	(417 356)	-	-	-	1 234 963	(557 233)	332 525	-	(318 825)	-	(543 533)	691 430
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	147 909	-	(16 899)	-	-	-	131 010	(136 841)	14 749	-	(7 778)	-	(129 870)	1 140
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	351 154	-	-	-	-	-	351 154	(81 220)	-	-	(35 058)	-	(116 278)	234 876
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water tanks	5 698	-	(2 900)	-	-	-	2 798	(2 933)	2 900	-	(400)	-	(433)	2 365
Motor vehicle leased	3 392 281	-	-	-	-	-	3 392 281	(802 375)	-	-	(335 423)	-	(1 137 798)	2 254 483
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	8 778 001	1 258 574	(896 300)	-	-	-	9 140 275	(3 481 378)	605 683	-	(1 312 675)	-	(4 188 370)	4 951 905

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	68 807 440	3	-	-	-	-	68 807 443	(2 660 310)	-	-	(1 333 931)	-	(3 994 241)	64 813 202
Infrastructure	150 525 123	14 616 344	-	-	-	-	165 141 467	(22 480 083)	-	-	(8 725 040)	-	(31 205 123)	133 936 344
Community Assets	33 990 118	12 281 877	-	-	-	-	46 271 995	(2 057 351)	-	-	(1 385 656)	-	(3 443 007)	42 828 988
Heritage assets	1 020 835	-	-	-	-	-	1 020 835	-	-	-	-	-	-	1 020 835
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	8 778 001	1 258 574	(896 300)	-	-	-	9 140 275	(3 481 378)	605 683	-	(1 312 675)	-	(4 188 370)	4 951 905
	263 121 517	28 156 798	(896 300)	-	-	-	290 382 015	(30 679 122)	605 683	-	(12 757 302)	-	(42 830 741)	247 551 274
Non-current assets held for sale														
Non-current assets held for sale	15 687 684	-	-	-	-	-	15 687 684	-	-	-	-	-	-	15 687 684
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	15 687 684	-	-	-	-	-	15 687 684	-	-	-	-	-	-	15 687 684
Intangible assets														
Computers - software & programming	412 193	556 775	-	-	-	-	968 968	(271 635)	-	-	(273 031)	-	(544 666)	424 302
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	412 193	556 775	-	-	-	-	968 968	(271 635)	-	-	(273 031)	-	(544 666)	424 302
Investment properties														
Investment property	25 684 000	558 300	-	-	-	-	26 242 300	-	-	-	-	-	-	26 242 300
	25 684 000	558 300	-	-	-	-	26 242 300	-	-	-	-	-	-	26 242 300
Total														
Land and buildings	68 807 440	3	-	-	-	-	68 807 443	(2 660 310)	-	-	(1 333 931)	-	(3 994 241)	64 813 202
Infrastructure	150 525 123	14 616 344	-	-	-	-	165 141 467	(22 480 083)	-	-	(8 725 040)	-	(31 205 123)	133 936 344
Community Assets	33 990 118	12 281 877	-	-	-	-	46 271 995	(2 057 351)	-	-	(1 385 656)	-	(3 443 007)	42 828 988
Heritage assets	1 020 835	-	-	-	-	-	1 020 835	-	-	-	-	-	-	1 020 835
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	8 778 001	1 258 574	(896 300)	-	-	-	9 140 275	(3 481 378)	605 683	-	(1 312 675)	-	(4 188 370)	4 951 905
Non-current assets held for sale	15 687 684	-	-	-	-	-	15 687 684	-	-	-	-	-	-	15 687 684
Intangible assets	412 193	556 775	-	-	-	-	968 968	(271 635)	-	-	(273 031)	-	(544 666)	424 302
Investment properties	25 684 000	558 300	-	-	-	-	26 242 300	-	-	-	-	-	-	26 242 300
	304 905 394	29 271 873	(896 300)	-	-	-	333 280 967	(30 950 757)	605 683	-	(13 030 333)	-	(43 375 407)	289 905 560

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

	Current year 2015 Act. Bal.	Current year 2015 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Rendering of services	1 581 846	1 628 000	(46 154)	(2.8)	
Property rates	21 377 512	21 734 000	(356 488)	(1.6)	
Refuse charges	3 275 127	3 411 000	(135 873)	(4.0)	The Municipality has billed more than the budget for this services. This is as a result of new customers being identified during the year. The variance is not material as it -3.98 percent when compared to adjustment budget.
Rental of facilities and equipment	239 247	312 000	(72 753)	(23.3)	The Municipality has generated less income from rentals when compared to the adjustment budget. This is as a result of low demand for community facilities like halls, site lease and rentals of billboards. The municipality will upgrade it facilities so that they will generated revenue especially on halls. The variance to this components is -23.32 percent when compared to the adjustment budget.
Interest received (trading)	6 730 372	5 151 000	1 579 372	30.7	
Licences and permits	2 504 233	2 373 000	131 233	5.5	Licence and permits has generated more income when compared to the Adjustment budget. The variance to date is not material as it is 5.3 percent when compared to the adjustment budget.
Fines	1 395 365	194 000	1 201 365	619.3	The Municipality generated more income from fines when compared to the adjustment budget. Fines are a combination of Traffic fines and library fines. The variance for fines is 619.26 percent when compared to the adjustment budget.
Administration and management fees received	532 377	605 500	(73 123)	(12.1)	
Fees earned	334 275	605 500	(271 225)	(44.8)	The Municipality has generated less income from fees earned when compared with adjustment Budget. Other Revenue comprises of Building plan fees, Burial fees, Rate clearance certificate, Sale of documents and other anticipated revenue. The variance is -44.79 percent when compared to the adjustment budget.
Government grants received	121 036 767	121 333 000	(296 233)	(0.2)	Transfers Recognised-Operational has a variance of -0.24 percent when compared to the adjustment budget. This is as a result of Disaster management relief that was not budgeted for an amount of R1, 4 million relating to disaster occurred in Mtubatuba Libraries and roll over of previously unspent grants.
Interest received - investment	761 127	633 000	128 127	20.2	The Municipality has generated more income from External Investments when compared to the adjustment budget. Although the Municipality didn't put any fund as investments other than those that arise from the past years, Grants that were sitting on main account has generated more interest when compared to the adjustment budget. The variance as at year end is 20.24 percent when compared to the adjustment budget.
	159 768 248	157 980 000	1 788 248	1.1	
Expenses					
Employee related costs	(41 571 149)	(45 859 000)	4 287 851	(9.4)	The Municipality has spent less in Employee related cost when compared to the adjustment budget. Due to anticipated cash flow problems during the first half of the 2014/15 financial year, the Municipality introduced cost cutting measures in Overtime, Subsistence and Travelling. Subsequent to that, there were employees that were identified to be paid more than the SALGA scale and the Municipality resolve to decrease salaries for those employees. The variance for employee related cost is 9.3 percent when compared to the adjustment budget.

Mtubatuba Municipality

Appendix E(1)

June 2015

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

	Current year 2015 Act. Bal.	Current year 2015 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Remuneration of councillors	(7 208 730)	(10 502 000)	3 293 270	(31.4)	The Municipality has spent less to Councillors when compared to the adjustment budget. The cost cutting measure was also implemented on councillor's subsistence and travelling. Subsequent to that, the Municipal Council was dissolve early February 2015. That resulted to the decrease in councillor's allowances. The variance for Remuneration to Councillors is 31.36 percent when compared to adjustment budget.
Depreciation	(16 146 509)	(7 791 000)	(8 355 509)	107.2	Depreciation was under budgeted for in the 2014/15 and was not adjusted in the adjustment budget. Although there was a high figure in the 2014/15 financial year, the Municipality has corrected some portion of that depreciation which was previously raised. The variance to date is 87.68 percent when compared to the adjustment budget.
Amortisation	(140 950)	-	(140 950)	-	
Finance costs	(1 150 811)	(541 000)	(609 811)	112.7	The Municipality has raised more finance charges when compared to the adjustment budget. The variance for finance charge is 11.99 percent.
Debt impairment	(8 077 408)	(5 159 000)	(2 918 408)	56.6	The Municipality has recognised more debt impairment when compared to the adjustment budget. The Municipality has also under budget for this item. The variance to debt impairment is 100 percent when compared to the adjustment budget.
Repairs and maintenance - General	(6 526 351)	(8 778 000)	2 251 649	(25.7)	Other Materials relates to repairs and maintenance being done internally. The expenditure to repairs and maintenance is low when compared to adjustment budget. The resignation of Manager Operations has much impact on this. The Municipality has not yet fill this critical post. The variance is 29.57 percent when compared to the adjustment budget.
Contracted Services	(10 339 328)	(10 047 000)	(292 328)	2.9	Contracted Services has no material variance when compared to the adjustment budget. The variance is 0.79 percent.
General Expenses	(20 938 654)	(22 954 000)	2 015 346	(8.8)	Other Expenditure has a variance of -13.18 when compared to the adjustment budget. The municipality has spent less in other expenditure when compared to the adjustment budget.
Other revenue and costs	(112 099 890)	(111 631 000)	(468 890)	0.4	
Fair value adjustments	8 509 826	-	8 509 826	-	
	-	-	-	-	
	8 509 826	-	8 509 826	-	
Net surplus/ (deficit) for the year					
	56 178 184	46 349 000	9 829 184	21.2	